



Institute
of Interim
Management

Interim Insight

The Institute of Interim Management's E-Newsletter

May 2003

EDITORIAL

IIM News & Events

Newbury 6 May

In association with
KPMG in the UK

Leeds 13 May

In association with
DLA & Directorbank

London 20 May IIM AGM

London 27 & 28 June
Next Step Show

Manchester 7 July

In association with PwC

Five-Minute Focus Interview

Oh Doctor I'm in Trouble!

Window on IM Assignments

Industry News & Developments

Institute of Interim
Management
Dolphins
Elmstead Road
West Byfleet
Surrey
KT14 6JB

T: +44 (0) 870 242 0814

F: +44(0) 1932 350 775

E: info@ioim.org.uk

W: www.ioim.org.uk

© IIM

Dear Colleague,

Welcome to the May issue of *Interim Insight*.

Since our last Newsletter, we have celebrated our second AGM, which took place on 20 May at the Basil Street Hotel in London. We were delighted to see so many of you again including also our Companions.

When I joined the IIM almost two years ago and subsequently offered, (along with many other members) to assist in the development of our Institute, writing to you as Chairman now was far from what I had anticipated. But then, a roller-coaster life is part-and-parcel of our profession. Indeed as career Interims we not only thrive on challenges, we are also uniquely placed to offer that added value increasingly and discerningly demanded by client organisations.

My huge thanks to Paul Vousden for his staunch support, leadership and determination during the past year and everyone who served on the Board, the sub-committees or simply helping in various valuable capacities since our last AGM.

I hope that both myself and your new Management Board, will continue to sustain your support and confidence during the next 12 months, when we shall be working very hard to build further on the achievements and vision of our founders and predecessors. As always your feedback, contributions, as well as suggestions for improving our services are invaluable, therefore, please contact us on any issues of importance to you, the IIM or the Interim sector as a whole.

A report of the AGM and formation of the new Management Board is outlined later in this Newsletter.

We have also held two more successful events in Newbury and Leeds, sponsored by KPMG and international law firm DLA.

Details of our next event for Monday 7 July - "The Changing Turnaround Landscape - What Interim Managers Need To Know" - kindly sponsored by PricewaterhouseCoopers, were circulated recently. We have planned a very interesting and broad programme with PwC for this event, addressing issues of key importance to Interims on turnaround assignments. PwC have also kindly submitted an article about the group's Company Doctor Club, "Oh Doctor I'm in Trouble"!

This issue also features an interview with Clive Bennett Head of Interim Management Division of Skillbase, and news and views about developments in the IIM and the Interim industry as a whole.

Happy reading and I look forward to working with you all over the coming year ahead, to develop our Institute and continue to build greater benefits and a higher profile for our members.

Taravat Taher-Zadeh

Chairman

● IIM NEWS & EVENTS

NEWS

With thanks to IIM Member John Evans, earlier this year we under-took a long overdue overhaul to the Institute's web site, which also facilitated improved navigation and access to documents. Given a series of new Member services planned, including a Private Members' Area, the Board has since decided to outsource this major project.

Following detailed consideration of several tenders, the contract was finally awarded to WebImperative. We are currently working on the new site and hope to announce its re-launch shortly.

EVENTS

Our networking events and seminars continue to gather industry momentum and we are very pleased with the progressive uptake with client organisations and non-members attending as well. This not only serves to increase IIM membership but also the Interim concept amongst user-organisations. It is also pleasing to note from your feedback that we are fulfilling our dual aim of facilitating productive networking for assignment opportunities, as well as offering valuable CPD updates and training.

Below are just some of the feedback we have received on our May events:

<i>"Thanks very much for an interesting session"</i>	'Change Management', Professor Colin Carnall 6 May
<i>"Made me think"!</i>	'The Roles & Responsibilities of Interims in VC projects', DLA, 13 May
<i>"Excellent"</i>	'Change Management', Professor Colin Carnall 6 May
<i>"A useful debate"</i>	'Interim management in VC Projects', 13 May
<i>"Keep them going"</i>	'Change Management', Professor Colin Carnall, 6 May
<i>"Very good & relevant"</i>	'A Tale of two CITIES: Are Corporate Investors Taken In By Excessive Stories', Mike Green, 13 May

We are also receiving more invitations for speaking engagements at industry events and seminars. On 9 April, Rod Seville, Regional Director for IIM Anglia gave a presentation about Interim management and the IIM, at an exhibition held in Chelmsford by The Institute of Electrical Engineers. Rod's speech was very well received - resulting in the Q&A session extending well over his allocated time! No fears, we have been invited to return for another IEE regional event!

▪ **"Crafting Successful Change" Newbury, Berkshire, 6 May**

Kindly sponsored by KPMG, our co-host Richard Lambert, Chairman of the Interim Management Association and Director of KPMG's Interim Management Division opened the evening.

A highly experienced and respected academic, Professor Carnall's approach was extremely practical and offered some fascinating insights into how change works in organisations. Provoking a lively debate, Professor Carnall gave an interesting presentation on the key drivers for achieving successful change programmes, his theme being that change is constant and in the corporate context is therefore an issue for management, not just the specialist consultants.

The presentation was followed by a very lively Q&A session that proved that despite the title one thing never changes and that is IIM members' appreciation of a robust debate. The seminar was followed by refreshments and networking.



Professor Colin Carnall



L-R: IIM Companion Torrie Smith, IIM Member Anthony Phillips, Eric Lowry & IIM Member Ian Henderson



L-R: Richard Lambert, Director KPMG Interim Management, Taravat Taher-Zadeh, IIM incoming Chairman, Professor Colin Carnall, Paul Vousden IIM outgoing Chairman

NEW

IIM WEB SITE

UNDER

CONSTRUCTION

MAY

AN ACTIVE MONTH

FOR EVENTS

NEWBURY

6 MAY

IN ASSOCIATION WITH
KPMG IN THE UK

&

HENLEY
MANAGEMENT
COLLEGE

LEEDS
13 MAY
IIM NORTH'S
INAUGURAL EVENT
IN ASSOCIATION WITH
DLA
&
DIRECTORBANK

Among a series of pointers for crafting and implementing successful change, Professor Carnall covered:

- Planning in detail so that progress can be monitored,
- Benchmarking both quantitative and qualitative measures as they currently are, and agreeing how they must change if the benefits of the project are to be achieved – to monitor benefits you must measure them,
- Management to actively lead and participate – they are as much a target of change as other staff,
- Building on early successes, and developing and rewarding talent,
- Managing expectations – staff do not resent change per se, but they do resent badly managed change,
- Maintaining consistency – simple changes require a one to three year view, complex changes, (for example culture change), a ten to fifteen year view. Long-term objectives must not be sacrificed to short-term demands.

Many of you who have responded to our evaluation have expressed interest in a two to three-day workshop either during the week or weekend. We are exploring this and will revert in due course.

▪ **“Interim Management in Corporate Restructuring & Venture Capital Projects”
Leeds, Yorkshire, 13 May**

This was IIM North’s inaugural event, kindly sponsored by international law firm DLA and hosted at their impressive offices in Leeds.

There were a series of presentations from Mike Green, IIM member and an experienced Interim who has handled many corporate restructuring projects, DLA Partners, Wendy Harrison and Colin Ashford, followed by a panel-audience discussion.

The evening began with Mike Green, (incoming Treasurer of the Institute), contrasting and comparing two MBOs he had been called in to help rescue. Mike’s key pointers are outlined below with the general message that the first six months after an MBO are critical and that Interims should be involved earlier, possibly with involvement as the deal is structured enabling a mentoring period with management whilst they find their feet.

Management:

- The removal of the former corporate ‘umbrella’ can lead to management indiscipline – “it’s our company and we will do as we please”
- Self delusion allows management an unwarranted belief that the company’s business is unique in the market place and deserves ‘special case’ treatment,
- This self delusion is compounded by a view that all problems are the result of external factors and management is not responsible for its difficulties,

Venture capitalists:

- Place too much confidence in management’s view,
- Can impose unrealistic terms through their need to extract high returns on investment and short-term exit,

External reporting accountants:

- Can be poor or testing and challenging,
- Management’s assumptions and expectations, however these are improving,

DLA Partners Wendy Harrison and Colin Ashford then picked up a variety of legal issues relating to:

- The structuring of the deal,
- The appointment of the Interim contractually,
- The fiduciary duties owed by an Interim as director to the company rather than to any other parties to the transaction who may have appointed him/her (conflicts of interest),
- The obligations that can fall on an Interim deemed to be a shadow director even if not formally titled ‘director’,

The evening’s programme closed with a panel debate about the overall theme of Interims in venture capital projects, including 3i Director Peter Yendell, Colin Fuller Group FD of Kingfield Heath and Directorbank Director Sarah Grunewald. Peter Yendell outlined the state of the investment market in the region and the 3i strategy in relation to it. He echoed the importance of the first six months post MBO, described the use made by 3i of Interims and took on board the potential roles that Interims could play by earlier involvement.

**IIM
CELEBRATES
SECOND
AGM**

**IIM Annual General Meeting
London 20 May**



The AGM, held on 20 May at the Basil Street Hotel in London was well attended and was followed by a networking reception.

The meeting included several changes proposed to the Institute's Articles of Association, details of which were sent to Members with the AGM Notice circulation, and election of the new Board, outlined below. The Special Resolutions necessary to give effect to these changes were unanimously passed and the amended Articles are now available to download from the web site.

Announcement of Members forming the sub-committees will be made in due course.

IIM Management Board 2003

Chairman	Taravat Taher-Zadeh
Deputy Chairman	Rod Seville
Secretary	Tom Brass
Treasurer	Mike Green
Chairman, Public Affairs	Tony Evans
Chairman, Marketing	James Elliott
Chairman, Membership	John W Evans
Chairman, Continuing Professional Development	Julia Tybura
Chairman, Ethics and Corporate Governance	Ian Younger-Ryan

IIM New Chairman

After conducting the formal business of the meeting Paul Vousden, the outgoing Chairman welcomed Taravat Taher-Zadeh as the new Chairman. The following is an extract of her acceptance speech, the full text of which can be accessed on IIM web site.

"It is with great pleasure and enormous honour that I accept the role of Chairman of the Institute of Interim Management. It will be a very hard act to follow, and first and foremost, I wish to thank Paul for his staunch support, leadership and determination during the past year.

We have experienced a challenging year, not only due to external market forces but also given the increasing autonomy, which we chose to assume for our future developmental path. The IIM is managed by practitioners for practitioners of Interim Management - it is a testament to the commitment, relentless hard work by everyone, and indeed the high standards of professionalism and practice we uphold, that we have come thus far to celebrate our second AGM.

We should take much pride in our achievements. However, there is still much more to accomplish in marketing the IIM, for membership acquisition as well as achieving a greater understanding of Interim Management as a valid and valuable resourcing tool among user organisations.

Official statistics are still few and far between - during the coming year I hope that we can put our own stamp on the scale of the market and hopefully fuel its growth.

There is also encouraging evidence of the escalating use of Interim Management globally. During the past year we have been approached by several individuals and organizations, with a view to assisting the formation of a similar institute in local markets. We will appraise these initiatives during the coming year.

"We have experienced a challenging year.....a testament to the commitment, hard work and high professional standards and practice we uphold that we have come thus far to celebrate our second AGM

In terms of membership we have yet to achieve the critical mass intended. There is huge potential for membership acquisition and this must be and will be our highest priority.

Our networking events and seminars continue to be highly successful and in demand, which as many of you have experienced, is progressively including many client organisations as well.

As part of our aim to develop the IIM nationally and in order to facilitate greater opportunities for Members, at the end of last year we launched IIM regional branches, three of which - Scotland, North & Anglia – are currently managed by Regional Directors. I would like to thank Tony Evans, Rod Seville and Glenn Strange and all the regional teams for their support in developing the IIM in their regions.

We have also been working on our new web site including a private members area, which bar finishing creative touches we hope to launch shortly. The private members area will include exclusive services for Members including assignment opportunities.

Our government lobbying activities in protecting Members' interests continue. I would like to thank all those who responded to my recent circular prior to meeting the DTI on the proposed new employment legislations.

Finally, I would like to congratulate all new members of the Board on their appointment and also thank them for nominating themselves to serve the IIM. I look forward to working with you and all members of the sub-committees.

I hope that all of us as Members will take even greater collective ownership in developing our Institute to new heights”.

LONDON

27 & 28 JUNE

IIM

AT

NEXT STEP SHOW

▪ **“Next Step 2003 – The Career Options Show for Mid-life Professionals”
London 27 & 28 June**

We are pleased to announce that the IIM will have a dedicated stand as well as a speaking engagement at this exhibition, which takes place at the Horticultural Hall in Westminster, London. This exhibition is aimed at assisting professionals considering new career options and opportunities as well as embarking on new business ventures.

Next Step is supported by the Department for Works and Pensions, the Interim Management Association, Third Age Employment Network, the Recruitment and Employment Confederation and the National Federation of Enterprise Agencies, among others.

Entry to the exhibition is free and the seminars are charged at £20 including VAT. With many leading organisations represented at this two-day event and an interesting line up of training seminars, the show, which is the first of its kind, should present a wonderful opportunity for supporting your businesses.

For further information and to register on line, please visit www.nextstep.co.uk. We look forward to seeing as many of you as possible during the two days.

▪ **“The Changing Turnaround Landscape: What Interim Mangers Need To Know”
Manchester 7 July**

This event (details of which were circulated recently) follows on neatly from our event in Leeds. DLA Partners Wendy Harrison and Colin Ashford gave an engaging and informative presentation at our Leeds event relating to the legal responsibilities of Interims and potential caveats to be borne in mind when delivering turnaround projects, with closing comments concerning the Enterprise Act 2002.

For our event in Manchester, three specialists from PwC will elaborate on the objectives and commercial drivers of this new Act, and the benefits and drawbacks likely to be faced by both Interims and company stakeholders. We will also cover issues faced by Interims regarding pension scheme deficits in corporate restructuring and the current climate on Turnaround Management.

We are most grateful to PwC for their generous sponsorship of this event and to all the executives of the Manchester and Leeds office for collaborating with us on what promises to be a lively and fascinating evening. All these topics are highly relevant to the professional activities of many Interims and we would recommend that you book early to avoid disappointment.

In this issue of *Interim Insight* we also include an article about the Company Doctor Club scheme operated by PricewaterhouseCoopers.



MANCHESTER

7 JULY

IN ASSOCIATION WITH

PwC

INTERIM INSIGHT

INTERVIEWS

CLIVE BENNET

OF

SKILLBASE
EXECUTIVE
INTERIMS

“....the Interim market thrives on change – creating opportunities in both bull and bear markets.”

“Public Sector is the one area of growth.”

“....the market is more informed but the process of educating clients about IM is far from complete.”

● **INTERIM INSIGHT'S 'FIVE MINUTE FOCUS ON PROVIDERS'**

In this issue we talk to Clive Bennett, Operations & Marketing Director of Skillbase, (part of Hogg Robinson plc), and a member of the Executive Committee of the Interim Management Association.

IIM: Can you please give us some background to Skillbase's Interim practice, and your particular areas of specialisation within the interim sector?

CB: Skillbase was formed in 1990 as a spin off from IBM and was heavily involved in IBM's own downsizing strategy through a concept called 'leaseback' under which qualifying employees opting for voluntary redundancy were guaranteed a minimum number of working days over a two year period. This approach to flexible resourcing proved a 'win-win' option for both employer and employee in managing major organisational change and similar schemes were developed for many of the utilities undergoing privatisation, such as BT, Powergen and BR. For many of the employees, this served as a bridge to new careers, and many remained on its books as the core of an Interim Management practice. In recent years the business has consciously become more broadly based - by industry, and by function - but with HR, Project/Programme, Finance and Operations Management leading the way.

IIM: Do you have an ideal set of qualities that you look for in an interim candidate?

CB: It never ceases to amaze me how many highly experienced people fail to do justice to their track record with their CV. It's their front-line self-marketing tool but one where all too often, poor presentation, hyperbole, or over-complexity hide the very qualities I'm looking for. If I cannot see what my clients need, the candidate isn't even getting to first base.

In the first instance I'm looking for the knowledge and proven experience that have equipped an individual to confidently take on an interim assignment and, with little or no learning curve, command respect from the outset. A track record in interim management certainly helps but I especially want to see the professional and personal characteristics that typify interim assignments. I'm looking for self-reliant results driven doers, who can also demonstrate their personal flexibility, influencing and team participation skills in a variety of business environments. Good coaching skills are an added bonus.

IIM: What's your view of the interim market over the next 12 months. Do you think it will grow or that we'll see a tailing off in demand? In which industry sectors and functional roles do you anticipate possible changes?

CB: I'm expecting the interim market to grow – but only as companies come off the fence in their strategies for responding to their own economic 'crystal balls'. The interim market thrives on companies' need to respond to rapid change – creating opportunities in both bull and bear markets. The killer last year was the uncertainty on the part of budget holders, with tentative enquiries that faded into oblivion rather than reach a clear decision. In these more introverted conditions, the focus is more on making existing assets work harder, and strengthening financial controls, boosting the prospects for financial interims, but cutting back on new projects (to the detriment of PM interims?).

The Public Sector is the one area of growth on which all agree. IMA member's returns have seen this sector advance quarter-by-quarter and now accounts for over 30% of both assignments and new enquiries. The Government has now formally recognised Interim Management as a distinct category within its approved supplier 'S-Cat' listing and has just completed its formal assessments on a tendering process that began last year. S-Cat is short for 'Supplier Catalogue'. Under 13 different services, lists approved companies in each service category - one of which is now Interim Management within Human Resources. Approved providers still need to bid competitively, but this process, and the 'quality seal' it confers, serves to streamline procurement processes for Central and Local Government departments.

The growing recognition of the benefits that Interims can bring in improving 'delivery performance' within Government is a key factor, and as Skillbase is one of the company's winning S-Cat recognition there is little doubting the sector where we see clear growth opportunities!

IIM: How aware do you think clients are of the benefits of Interim Management in solving senior management problems?

“....Government sector without a doubt”.

“Self-marketing & a discerning selection of Providers are key to a busy Interim portfolio.”

CB: I think the market is hugely more informed than it was even a couple of years ago – not just of the benefits IM's can bring. The growth in the number and competitiveness of IM providers has made clients far more aware of the leading players. In a number of companies we are now seeing Interim Management routinely adopted as a standard resourcing tool. But we are also seeing the categorisation being applied by clients at too low a level. Overall the process of educating clients is far from complete and it is one of the areas where the IMA can continue to play a key role for the benefit of both providers and 'professional interims'.

IIM: Do you think that Interim managers are gradually taking the place of management consultants?

CB: Personally no. Many Interim managers are certainly capable of performing effectively as management consultants but the converse is also true. An assignment involving both strategic consultancy and downstream implementation calls for quite distinct loyalties, skills, knowledge and experience. As a management consultant I exercised my analytical and influencing skills as an independently minded 'outsider' – not necessarily with a proven track record in that business. As an Interim manager implementing a strategy, or managing a project, I still needed to be my own man, but be able to win the respect, build a team and get results as an 'insider' whose loyalty was firstly to the client. Meeting that second objective is clearly easier if you have little or no learning curve in the function or industry and can command the appropriate authority from the outset. That said, the individuals with that skill in spades might not make good consultants – it's horses for courses.

IIM: What do you think are likely to be the biggest growth sectors for interim management over the next few years?

CB: The Government sector – both central and local - without a doubt. There are some encouraging signs that the Government is actively seeking to bring in proven skills from the private sector, particularly in areas like project management. There is a cultural divide to be crossed but we are seeing more examples of that happening successfully in the interim field.

IIM: If there were one single piece of advice you could give an interim manager looking for assignments, what would it be?

CB: Effective self-marketing, using both your own personal network, and a carefully selected portfolio of specialist interim providers that is small enough to maintain regular two-way contact, large enough to create assignment opportunities at the right level.



Clive Bennett joined Skillbase in 1996, as Business Development Director, now heading its IM Division. Following a Chemical Engineering degree, he joined Unilever as a graduate trainee in Production Management and progressed to Factory Manager. Having gained an MBA from London Business School, he joined PA as a Management Consultant before being head-hunted into Wellman Plc. He 'earned his spurs' leading major IS Projects in the US and UK and progressed to MD of Wellman Bibby. In 1990 Clive became CEO of a loss-making independent engineering company which he re-launched as Thames UK from a VC backed MBO. "The 5-year roller coaster ride that followed did little for my bank balance, but in terms of personal experience was worth a fortune," says Clive.

IIM members with Public Sector experience are invited to send their CVs to Clive at clive.bennett@skillbase.com



PwC

ANNOUNCE

EXPANSION OF

COMPANY

DOCTOR

CLUB

“Interim Managers are a valuable resource in distressed company situations”

“We’re delighted to be sponsoring IIM’s July event.....”

“.....an ideal opportunity to also announce new initiatives within PwC’s Business Recovery practice.....it could offer fresh opportunities for Interim Managers”.

● ‘OH DOCTOR I’M IN TROUBLE’!

PricewaterhouseCoopers, sponsors of our July event in Manchester, announce that they are expanding their Company Doctor Club.

Currently PwC’s Leeds office runs a Company Doctor Club for local Interim Managers who work mainly in turnaround situations. One of the keynote speakers at our forthcoming event in Manchester on 7 July, PwC Director Irving Warnett believes that “Interim Managers are becoming an increasingly valuable resource in distressed company situations. Dealing with different stakeholders and managing short-term issues requires situational rather than sector experience and this is where Company Doctors can really add value”.

Irving works in PwC’s Business Recovery practice, which often puts forward Interim Managers for placement in distressed clients. The main purpose of the Club is to build up relations with local Company Doctors. The idea is that PwC provide a learning and networking platform for the members through quarterly briefings on subjects as diverse as shadow directorship, pensions and the 2002 Enterprise Act. The Company Doctor then has an existing contact at PwC to call if their own client requires specific advice or assistance.

The briefings have proved so successful in Leeds that a Company Doctor Club is also being set up by PwC in Manchester. David Costley-Wood of PwC’s Manchester office says, “We are delighted to be sponsoring the IIM event on 7 July - it is an ideal opportunity to launch the Club. Feedback from Leeds shows that IMs appreciate the chance to get together, share experiences and hopefully add to their knowledge about a particular issue. I work regularly with Interim Managers in distress situations and I know that stakeholders appreciate the objective commitment they bring to a management team. However, I also appreciate it can be a bit of a lonely existence at times. As the leading Business Recovery practice in the north west, it makes sense for us to get to know local Company Doctors better and establish mutually beneficial relationships.”

The first Briefing is planned for Autumn 2003. However David is keeping the details under wraps until the Manchester IIM event. “I’m looking forward to the event, having attended the recent one in Leeds. I’m also pleased to be speaking on the Enterprise Act, having led the firm’s thinking on this legislation. It could offer fresh opportunities for Interim Managers and I hope that the audience contribute and make their opinions known. Based on my own experience, it would be most unlike Interim Managers not to!” “We are all very much looking forward to meeting your Members in July”.

For further information of PricewaterhouseCoopers’ Business Recovery services please visit their web site:

<http://www.pwcglobal.com/uk/eng/about/svcs/brs/index.html>



● WINDOW ON INTERIM MANAGEMENT ASSIGNMENT

“Gainful Employment”

Interim Management solutions for the not-for-profit sector

IIM MEMBER
NICK DUNCAN
LAUNCHES NEW
BUSINESS UNIT
FOR
REMPLOY,
THE LARGEST
EMPLOYER OF
DISABLED PEOPLE IN
EUROPE

*Typical Interim qualities
of adaptability...quick off
the mark....teasing out key
issues....attention to
detail.....*

*“I brought objectivity and
could ask silly
questions...”*

On April 1st, Remploy, the largest employer of physically and mentally disabled people in Europe, launched a new business unit called Remploy Electronics. The new business aims to double its turnover to £15 million by 2005 and is part of the drive by Remploy, a not-for-profit organisation, to become increasingly market competitive in its chosen commercial sectors.

The man responsible for the launch is IIM member and Impact Executives Interim, Nick Duncan. A founding and past Board member of the IIM, Nick has been a marketing consultant and Interim Manager since 1997. Nick was assigned to Remploy in October last year to assess the potential for spinning off Remploy's Electronic assembly and cable activities, and to either build a business case or give the company evidence that it needed to withdraw from the market. *“It was make or break,”* says Nick.

The Situation

Remploy receives government grants to help provide employment for 10,000 disabled in its 80 or more factories up and down the country. The factories provide real jobs and pay market rates. Each factory contains a learning centre where staff can develop their skills in order to progress either within the company or to win jobs in the commercial arena. At any one time around 4,000 individuals have been 'progressed' (into the open market), which means that while Remploy keeps them on its books and is responsible for them, they are paid by an outside employer.

Remploy provides contract assembly work, so historically if a local manufacturer wanted something assembled – from a printed circuit board for electronic equipment, to furniture, to packaging toys – Remploy would do it at a competitive rate. But because the business was demand-led and reactive, the work it used to win was of relatively low quality. Internal pressure to win higher quality work has been there for some time but significantly increased in the past two years, as Government has intensified its scrutiny of how the grant is put to best use. Typically Remploy justifies this by the number of employee 'progressions' and by commercial sector performance.

In response Remploy started breaking off some of its specialist areas into dedicated business units headed by specialist management teams. For example Remploy Furniture focuses on assembling furniture, typically for schools and hospitals; Remploy Healthcare concentrates on bottling, packaging and labelling for pharmaceutical and chemical companies; and Remploy Automotive focuses on component assembly for the big European motor manufacturers, including Ford. The total business turns over around £250 million.

But it still does some contract services work on a more fragmented basis, and electronic assembly was an example of this. This involves populating printed circuit boards (pcbs), either manually or mechanically, with the various components that give them their intelligence before they are slotted into various electronic devices, from phones to fridges. Remploy had been in this business for many years, but in a piecemeal fashion that yielded low sales and lower margins. And it had many British and European competitors.

The board knew it had to make the business more commercial or get out of it, and hired Nick to lead a cross-functional team of seven to analyse the size and scope of the market opportunity – if indeed there was one.

A Structured Approach

The first stage of the three-pronged task was to identify Remploy's capabilities in electronic assembly, which meant auditing its equipment, processes and people. This took about two weeks and was followed by a three-month in-depth analysis of the UK market for contract assembly, including the strengths and weaknesses of its 200 UK competitors.

This analysis revealed that the key IT and telecoms customers were exporting a lot of electronic assembly work to cheaper geographical regions, such as Eastern Europe, China and the Far East.

“Our initial sense was that there was little long-term future for a local assembler,” says Nick.

“Our capabilities audit had identified that we were good at short turnaround work and at changing the mix quite quickly because we have lots of flexible employment. Also we were best at a median level of technical complexity. So we tried to find specific markets where what we offered matched demand. We did a big trawl of market segments that could potentially benefit most from our capabilities and then identified operations and purchasing people in representative companies to precisely identify the nature of their needs.”

The team discovered that while companies were sending certain types of printed circuit board overseas to be populated or assembled, others could only be done locally in the UK. For example, the basic PCB that drives a one-arm bandit in a pub is large, complex and produced in vast numbers. So that is assembled in China. But while the PCB driving the lights and sounds only needs to be changed every three years or so, the boards that drive the games themselves have to change every three months to meet customers' demands for new games. These boards are sub-contracted out to local factories.

After sector-by-sector analysis, the team ended up with a shortlist of 12 markets, including gaming machines, vending machines and alarm systems, which seemed to offer the most potential. And they quantified the share of each of those markets they thought they could capture.

The third phase of the project involved consolidating this information into a strategy to take the electronics business forward, and winning board approval.

The Solution

Remploy Electronics will handle other electronic assembly work, but pcbs will be its main business. The business will operate from 6 sites, rather than 15 as previously, and these will become 'sites of excellence' with their own management, sales, cost and profit centers, and identities. *“For the first time electronic assembly will benefit from real focus,”* says Nick. *“We are doing some active PR at the moment designed to change our image to a cutting edge operation.”*

Nick's title was 'interim electronics manager'. He thinks his lack of electronic engineering experience was a benefit rather than a drawback. *“I brought objectivity to it and I could ask silly questions,”* he says. But it was his array of other skills (typical interim qualities of adaptability, being quick off the mark, teasing out key issues, attention to detail and communicating and influencing) and diverse experience that were most valuable.

Article re-produced with the kind permission of IMA Member, Impact Executives (www.impactexecutives.com).

Interim Insight welcome other Interim case studies of a broad professional and functional discipline, for publication in future Newsletters.

Please note a word count not exceeding 1,500 words and send your papers to taravat@tt-consulting.co.uk



● **INDUSTRY NEWS & DEVELOPMENTS**

▪ **For Better or for Worse?**

You may have noticed from recent press that the Inland Revenue are focusing on a new attack on small businesses via the "settlements" legislation contained in s660 of the Taxes Act 1988. With the growth of Revenue activity in this area, the following articles are of vital importance to IIM members.

For many years it has generally been accepted that a company could have a number of shareholders, such that when dividends are voted they could be shared between each of the shareholders.

The settlements legislation is intended to prevent an individual from gaining a tax advantage by making arrangements that divert his or her income to another person who is liable to a lower rate of tax. This applies when an outright gift is made. However, there is a specific exemption contained within s660a for gifts between spouses that are not wholly or substantially a right to income. Whilst non-voting preference shares have been tried and failed, in a court case (*Young v Pearce* 1996) it was held that a transfer of preference shares were substantially a right to income, there has been no indication that the IR wanted to attack ordinary shares, until now. There have always been strong arguments that ordinary shares were not wholly or substantially a right to income as they represent a bundle of rights, including the right to capital.

The IR are of the opinion that they can use s660 to tax a husband and wife's dividends from a company in which they both have shares as if they were all received by the main "worker". This is not new law but a new interpretation of existing law.

The IR could attempt to go back up to 6 years to collect additional tax, interest and penalties. Although we have to wait for a test case to go through the courts to see if the IR can win on their argument this could take several months, if not years. Even if the IR loses they may consider introducing new legislation to make husband and wife-owned companies "unacceptable tax avoidance vehicles".

If you are unsure whether you are affected by this, you should consult a professional advisor.

This article was kindly provided by Nyman Linden Chartered Accountants www.nymanlinden.co.uk

▪ **Section 660 Briefing Document**

The Inland Revenue have started to review their interpretation of sections 660a to 660g of the Income and Corporation Taxes Act 1988. These sections were inserted in 1995 and relate to anti-avoidance settlements legislation and covers situations that have the effect of transferring income earning assets from a higher rate tax payer, to a lower rate tax payer in order to avoid taxes.

Potentially this could affect more than 2.5 million small family businesses and estimates of the Revenue 'take' range between £1 and £2 billion.

In the Revenue's April 2003 Tax Bulletin number 64, interpretation is given as to how Section 660 applies to businesses and individuals. They may seek to apply the legislation where:

- ◆ The main earner is drawing a low salary leading to enhanced profits from which dividends can be paid to shareholders who are friends or family members.
- ◆ There are disproportionately large returns on capital investments.
- ◆ There are differing classes of shares enabling dividends to be paid only to shareholders paying lower rates of tax.
- ◆ There are dividends being waived so that higher dividends can be paid to shareholders paying lower rates of tax,
- ◆ Income is being transferred from the person making most of the profits of a business to a friend or family member who pays tax at a lower rate.

THE

INLAND REVENUE

STRIKES

AGAIN

Factors to be taken into account include:

- ◆ The level of salary drawn by the main fee earner and whether it is at a 'market rate',
- ◆ Whether the level of profits and dividends paid are exceptionally high in relation to the capital contributed by the other shareholders/partners or risks they take in the business,
- ◆ The amount of capital investment,
- ◆ The level of involvement or participation in the business by the non-fee earning partner,

Additionally, the tax can be applied retrospectively. In a recent Section 660 assessment (Arctic Systems) the demand has been backdated for six years, even though the Revenue were aware of the historic income distribution, and had never previously asked for the tax. The amount involved, £42,000, comprises £30,000 in unpaid taxes plus £12,000 interest, which continues to rise as appeal of the case continues.

To strengthen your position, if you are faced with an assessment based under 660, then you will need to be able to document and demonstrate the role your partner has played and continues to play in the business. Document, for example, details of contributions such as dealing with business related issues, participation in decision making processes, administration duties, financial support etc. Such evidence will aid your professional representative when dealing with the Revenue.

The above summary data was derived, with kind permission, from Shout99, www.shout99.com, Section 660 Briefing Document April 2003 Issue 1.

Shout99 are holding a specific 660 seminar on the 18th June. The IIM intends to consolidate upon this with a briefing for Members during Autumn 2003.

The next issue of *Interim Insight* will be in July when we hope to also announce the Institute's programme of events for the Autumn.

Call for Papers, News & Views

Members are invited to submit any articles and news concerning the Interim sector for publication in the next issue, for the attention of the managing Editor, to:

E: taravat@tt-consulting.co.uk

F: +44 (0) 20 7727 6081

Or by contacting IIM Administrative Offices, by no later than 18 July.

In the 'interim' wishing you much continued success with your assignments and business ventures.